

CITY OF ORIENT

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
AUGUST 1, 2014 THROUGH JULY 31, 2015

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## City of Orient

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cecilia McGinnis	Mayor	January 2016
Gary Parman	Council Member	January 2016
Shawn Subbert	Council Member	January 2016
Justin Boswell	Council Member	January 2018
Marvin McGinnis	Council Member	January 2018
Loretta Umbonhower	Council Member	January 2018
Della Kramer	City Clerk	Indefinite
Michael Maynes	Attorney	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 9, 2015

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Orient for the period August 1, 2014 through July 31, 2015. The City of Orient's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. I reviewed City funds for consistency with the City's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

9. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.

10. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.

13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

14. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Orient, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Orient and other parties to whom the City of Orient may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the Clerk of the City of Orient during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

## DETAILED RECOMMENDATIONS

CITY OF ORIENT

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.
- (8) Computer system - Performing all general accounting functions and controlling all data input and output.
- (9) Accounting System - performing all general accounting functions, including journal entries, and having custody of assets.
- (10) Financial Reporting - preparing and reconciling.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

## CITY OF ORIENT

### DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (C) Disbursements - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for one of thirty transactions tested could not be located.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.

- (D) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The city should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (E) Payroll - City employees are required to complete time cards. The City Council approves all pay increases. The following were identified:

Although time sheets are maintained for all employees, there was no indication the time sheets had been reviewed and approved by a supervisor prior to preparation of the payroll.

The hiring salary for the City Clerk and any subsequent wage increases for the City employees was not documented in the City Council minutes.

Recommendation - Time sheets should be reviewed and approved by a supervisor prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Wages of employees should be adequately documented in the City Council minutes. For example, Council approved a \$0.50/hour raise from \$15.00 to \$15.50 an hour, effective July 1, 20XX.

- (F) City Council Minutes - The following were identified:

1. Minutes for the October 13, 2014, December 8, 2014 and July 13, 2015 City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.
2. The City Council went into closed session on October 13, 2014. The specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required.
3. The City did not publish annual gross salaries for the period August 1, 2014 through July 31, 2015 as required by an Attorney General's opinion dated April 12, 1978.

CITY OF ORIENT

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

4. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and include: a list of claims, a summary of receipts, total disbursements by fund and a summary of ordinances or amendments adopted, if applicable.

Recommendation - The City should comply with the appropriate Codes of Iowa pertaining to signing the minutes, closed sessions and publication of annual gross salaries, list of claims, summary of receipts, total disbursements by fund, etc.

- (G) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The disbursements should have been monitored and amended before disbursements were allowed to exceed the budget.

- (H) Annual Financial Report - Regarding the Annual Financial Report, the following were identified:

1. The total ending fund balance of \$261,484 reported on the fiscal year 2014 Annual Financial Report (AFR) was \$8,001 less than the total ending fund balance of \$269,485 at July 1, 2014 reported on the fiscal year 2015 Annual Financial Report.
2. The total fund balance of \$587,728 reported on the fiscal year 2015 Annual Financial Report (AFR) was \$23,697 greater than the City's general ledger and bank balance of \$564,031. Although the City reports on the cash basis of accounting, certain disbursements are posted using the accrual basis of accounting as witnessed by liability accounts with unusual balances.

Recommendation - The City should work with its software provider to determine the cause of liability accounts with unusual balances. Also, the City should implement procedures to ensure financial transactions are properly recorded using the cash basis of accounting established by the City.

- (I) Capital Projects - Two capital project funds have had no activity the past two years. Projects appear to be finished.

Recommendation - The funds should be transferred at City Council discretion and the funds closed.

CITY OF ORIENT

ORIENT, IA 50858

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Orient, Iowa for the period August 1, 2014 through July 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, receipts, disbursements, payroll, utilities, journal entries, accounting system, computer system and financial reporting, that City Council minutes comply with Chapter 380.7 pertaining to signing the minutes, that the City comply with Chapter 21.5 regarding closed sessions, that the City publish City employee and officials annual gross salaries, that the City comply with provisions of Chapter 372.13(6) relating to minutes publication requirements, that the City comply with Chapter 12B.10B concerning adopting a written investment policy, that the City comply with Chapter 554D.114 concerning electronic check retention, that City employees' time sheets be reviewed and approved by appropriate supervisory personnel and any subsequent wage increases for new and existing City employees are adequately documented in the City Council minutes, that the City Annual Financial Report agrees with the City general ledger, that the City comply with Chapter 384.20 regarding budget amendments, that the City retain invoices or other supporting documentation for disbursements.